

## Consumer appointment

President Ford has appointed Virginia Knauer, Office of Consumer Affairs (OCA) Director, to the new Council on Wage & Price Stability [CONSUMER NEWS, Sept. 1]. Other newly-appointed members of the council: Treasury Secretary William Simon, Agriculture Secretary Earl Butz, Commerce Secretary Frederick Dent, Labor Secretary Peter Brennan, Presidential Counsellor Anne Armstrong & Office of Management & Budget (OMB) Director Roy Ash. The President also appointed White House Economic Counsellor Kenneth Rush as chairman of the council, but he later nominated Rush for the post of ambassador to France.

## FTC complaint

Federal Trade Commission (FTC) has announced its intention to issue 5 complaints, under its consent procedure, alleging that certain retail department stores have unfairly handled customer charge account credit balances.

The complaints allege that customers with outstanding credit balances on their accounts tend, in time, to lose these balances if customers do not claim the balances or do not make purchases against them. Substantial dollar amounts of credit balances belonging to customers are consequently kept by the companies.

The 5 complaints were issued against the following stores & their divisions, which are indicated in parentheses: Carter Hawley Hale Stores, Inc., Los Angeles (Broadway Department Stores, Los Angeles; Emporium Capwell Co., San Francisco; Weinstock's K Street at 12th, Sacramento; Neiman-Marcus, Dallas; Bergdorf Goodman, Inc., New York City); Gimbel Brothers, Inc., New York City (Gimbels, New York); Lerner Stores Corp., New York City; Associated Dry Goods Corp., New York City (Lord & Taylor, Inc., New York City); Genesco, Inc., Nashville (Bonwit Teller, New York City).

## Consumer bill

As CONSUMER NEWS goes to press, it is expected that the U.S. Senate will take a cloture vote on Sept. 18 on the bill to establish an Agency for Consumer Advocacy [CONSUMER NEWS, Sept. 1].

# consumer news

DEPARTMENT OF HEALTH, EDUCATION & WELFARE

Office of Consumer Affairs

Virginia H. Knauer, Director

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## Housing now

Consumers who are shopping for homes now have the Housing & Community Development Act on their side. While major provisions of the new law help cities meet housing & community development needs, other features aid home buyers by making more mortgage money available.

Among the law's provisions for home buyers:

- Limit on mortgages insured by Federal Housing Administration (FHA) is increased to \$45,000 from \$33,000 for single-family homes.
- Limit on mortgage loans by savings & loan associations is increased to \$55,000 from \$45,000.
- Down payment requirements for FHA-insured mortgages have been lowered. An FHA-insured mortgage on a \$35,000 home, for instance, now requires a \$1,750 down payment (formerly \$3,450).
- Limit on FHA-insured home-improvement loans has been increased to \$10,000 from \$5,000.
- Sex discrimination is prohibited in home financing.

Detailed regulations based on the new law are being prepared by Housing & Urban Development Dept. (HUD).

## Pension later

A new law regulating pension plans will affect about 30 million workers who are covered by more than 300,000 private pension plans run by corporations & unions. Designed to correct certain abuses & limitations in present private pension & retirement plans, the Employee Retirement Income Security Act of 1974 sets up Federal requirements that must be met by all pension arrangements.

Some of the most important provisions:

- When an employer provides a pension plan—and the law does not say that pension plans must be provided—the plan must cover all employees who are at least 25 years old & have worked for the company for at least 1 year.
- Employees must receive written descriptions, in plain language, of how the plan works; when an employee leaves a company, he must receive a summary of whatever benefits he can keep.
- Termination insurance will be available—through a new Federal agency—at low premiums that will be paid by the plan; insurance will protect workers' benefits if pension plans collapse or if companies fail.
- A worker not covered by a company plan can set up a retirement account for a private pension & can take tax deductions for it.

New pension plans now being drawn up must comply with all requirements of the new law, which will be administered by Labor Dept. & enforced by Treasury Dept. Persons with questions may write or phone any area office of Labor Management Services Administration (under "Labor Dept." in "U.S. Government" listings in local phone directories) anytime after Sept. 23 or write to Labor Management Services Administration, Labor Dept., Washington, DC 20210.

## Warnings!

● **TIRES**—National Highway Traffic Safety Administration (NHTSA) has issued a Consumer Protection Bulletin to warn motorists against the risk of personal injury in using "Space Saver" tires manufactured by the B.F. Goodrich Tire Company of Akron, Ohio. The "Space Saver" was used as a standard or optional equipment spare tire on many 1967-through-1973 model cars.

NHTSA advises all owners of Goodrich "Space Saver" tires, manufactured prior to May 1973, to avoid inflating or using the tires until they have been checked, tested or replaced by authorized dealer-manufacturer personnel.

Describing the hazard as a possible "explosive separation of tire from rim, during inflation or mounting," NHTSA said it has received 16 user-reports of serious injury—2 of them fatal injuries—sustained when the Goodrich-built tires exploded & separated from the rim while being inflated for emergency use. Approximately 975,000 B.F. Goodrich "Space Saver" tires manufactured prior to May 1973 are included in the warning.

The "Space Saver" is easily recognizable by its greatly reduced diameter & uninflated state—though mounted on the spare rim—when stored in the vehicle as a spare tire. Users are supplied with a special, pressurized canister with which to inflate the tire. According to NHTSA, it is during inflation that explosive separation can occur. In all but 1 of the serious injuries reported to NHTSA, the victim was the person inflating the "Space Saver" tire.

● **SALAD DRESSING**—Food & Drug Administration (FDA) reports Blue Plate Foods Inc., Division of Hunt-Wesson Foods Inc., is recalling its brand of salad dressing because of yeast contamination. Glass jars are labeled "Blue Plate Salad Dressing, Soybean Oil, Vinegars, Water, Sugar, Egg Yolks, Modified Food Starch, Salt, Spice & Natural Flavorings. Net 32 Fl. Oz. (1 Qt.)." Lot 01 224 B & possibly other lot numbers.

● **BOATS**—U.S. Coast Guard advises owners of certain plywood boats to inspect them because of reports of flooding. Coast Guard says owners of wooden boats (25-foot, 27-foot, 29-foot & 31-foot) made by Broadwater Boat Co., Mayo, MD, should inspect for cracking, bulges, hollows, loose screws & layers of wood coming apart about 9 feet from the bow. Boaters who find damage should contact Broadwater & Coast Guard.

## Tune-in

### Economic summit—the consumer's close-up of Federal budget

Inflation—and what to do about it—will be the chief topic of the national economic summit in Washington, Sept. 27-28. President Ford, who will be chairman, & the Congress have invited 700 persons to participate in discussions aimed at finding ways to control inflation & to manage the Federal budget. An important aspect of the conference will be the radio & television coverage, offering consumers an opportunity to learn more of the magnitude, complexities, requirements & responsibilities of the Federal budget—the budget for 211 million Americans. Check your local newspaper or stations for broadcast times. Before you tune in, consider this economics review (pages 2, 3 & 4) compiled by CONSUMER NEWS.

### Inflation—agreement & disagreement

Participants at the economic summit—as well as at pre-summit sessions this week & next week—will represent different interest groups: bankers, economists, elderly, farmers, labor, manufacturers, retailers, utility companies, veterans & consumers (President Ford asked Virginia Knauer, his Special Assistant for Consumer Affairs, to recommend persons from all parts of the country to represent consumers at the meeting). Because of different interests, the participants cannot be expected to see eye-to-eye on ways to solve inflation. Among the economic experts alone, there are conflicting theories about how to manage the national economy. However, most economists do agree on certain basic aspects of our economic problems, such as these symptoms of inflation:

- With a world food shortage, food prices have skyrocketed.
- We are facing worldwide shortages in some key raw materials, such as crude oil.
- Increases in manufacturers' & producers' costs force up prices.
- Workers seek wage increases in order to catch up with higher prices for consumer goods & services.
- General affluence—a higher standard of living—coupled with shortages of certain goods has created more consumer demand, which helps to cause ever-higher prices.
- Shortages of materials & higher labor costs in construction industries have pushed up housing prices.
- Less money is available for building new housing as consumers take their money out of savings accounts to invest in—for example—silver, gold, antiques, coins & real estate.
- Although less money is available for loans, the demand for credit is still high. With demand for credit still increasing, interest rates go up.

### Mini-glossary of economic terms

**BALANCE OF PAYMENTS**—A statement of international transactions that involve money payments between countries.

**BALANCE OF TRADE**—A statement of the value of all merchandise a country exports & imports. Usually the merchandise—everything from blue jeans to oil, from cars to computers—is the largest component of the balance of payments. A "favorable" balance refers to more exports than imports. An "unfavorable" balance refers to a country importing more merchandise from other countries than it sells to other countries.

**BASIC INDUSTRIES**—Industries like fuel, paper & steel that produce key commodities required throughout the economy's production cycle.

**CONSUMER PRICE INDEX (CPI)**—A monthly tabulation of the retail prices of most consumer products. Each month, **Labor Dept.** checks prices throughout the country of 400 selected goods & services. These figures are compared with prices charged for the same items in 1967. The comparison is expressed in a figure called an index. If the CPI for a month is 135, for instance, it means that a consumer would need \$135 to buy the same goods & services that would have cost \$100 in 1967.

**CONTROLLABLE BUDGET ITEM**—Item in the Federal budget that can be cut; also called **DISCRETIONARY FUNDS**.

**DEMAND PRESSURES**—Situation when there are more persons wanting to buy a product or service than is available at present prices.

**DEPRESSION**—The period of a business cycle when production is lowest, unemployment is highest & prices are lowest.

**DISCRETIONARY FUNDS**—See **CONTROLLABLE BUDGET ITEM**.

**DOUBLE-DIGIT INFLATION**—An annual inflation rate of 10% or more. Present U.S. inflation rate is 11.8% according to **Bureau of Labor Statistics (BLS)** figures for July 1974.

**ENTITLEMENT FUNDS**—Federal programs, most of which pay benefits to individuals at levels set by law—for example, Social Security.

**FISCAL POLICY**—Comprehensive planning of the Federal budget. Use of the Federal Government's spending & taxing power—within the context of the Federal budget—as a tool for influencing general economic conditions such as inflation, recession & depression. "Fiscal policy" is frequently distinguished from **MONETARY POLICY**, which consists in influencing general economic conditions through changes in the quantity & cost of money & credit.

**GROSS NATIONAL PRODUCT (GNP)**—The dollar total of all goods & services produced in the country. The **REAL GNP** (also called **REAL OUTPUT**) is a figure that tells what the GNP would be if there were no inflation. To get the real GNP, statisticians compare the current GNP with the cost of the same amount of goods & services in 1958.

**INCOMES POLICY**—An organized effort made by the Federal Government to influence wages & prices.

**INFLATION**—An economic condition existing when the purchasing power of money is becoming less & less.

**JAWBONING**—Public criticism by the President (or his aides) of price or wage increases that he considers too large & therefore inflationary; used in effort to discourage increases.

**PUBLIC SERVICE EMPLOYMENT PROGRAM**—An organized plan undertaken by the Federal Government in which Federal funds would be given to state, county & local governments to hire workers to perform necessary jobs. Such a program would help lower unemployment; present unemployment rate is 5.4%.

**REAL INCOME**—Consumers' weekly or yearly income (in dollars), adjusted to take into account the effects of inflation. Real income is the individual consumer's **PURCHASING POWER**.

**RECESSION**—A mild form of depression.

**UNCONTROLLABLE BUDGET ITEM**—Item in the Federal budget that cannot be cut.

**UNEMPLOYMENT RATE**—Percentage of persons who want to work but cannot find a job at their usual pay; percentage is based on the total number of Americans who can work & who usually work.

**WAGE-PRICE GUIDELINES**—General rules-of-thumb—not backed by law but agreed to by government, labor & business—for holding wage & price changes within certain limits.

## New hotline

800-621-4000. That is the new toll-free number established by **Health, Education & Welfare Dept.** (HEW) & **Metro-Help**, a Chicago-based referral center, to help runaway youths contact their families. Under a \$100,000 grant from HEW's **Office of Human Development**, the hotline will make it possible for runaways to call from anywhere in the country & request that a message be relayed to their families. **Metro-Help** will relay messages & will also provide information to the runaways regarding social services & help available to them.

## Recalls

● **HAIR SPRAYS**—**Food & Drug Administration (FDA)** reports the recall of some lots & sizes of the following hair sprays & conditioners because they contain (as a propellant) vinyl chloride, a chemical that has been linked to liver cancer. Following is a list of brand names only. Not all lots & all sizes of the products contain vinyl chloride. However, if you use any of the products, you may wish to write to FDA for a copy of that agency's *Weekly Report of Seizures, Prosecutions, Injunctions, Field Corrections, & Recalls*, for identification of all sizes & lot numbers. Include in your request the periodical's issue date listed below.

Savage/A Man's Hair Spray—4 aerosol products: A Natural Look; Dry Control; A Natural Look/Unscented; & Unscented Dry Control—Recall #F-125-4—issued July 3.

Hair Conditioner labeled in part: "Afro Spray . . . Coconut Oil . . . Sheen Conditioner . . . Jennee Bandana Products. . . ." (Distributed to barber shops & beauty salons in New Jersey)—Recall #F-001-5—issued July 17.

Health Cross Regular & Hard to Hold Hair Spray; Carole Joanne Hair Spray; Carole Joanne Super Hold Hair Spray; Springfield Regular & Hard to Hold Hair Spray; Dart Regular & Hard to Hold Hair Spray; Shurfine Regular & Hard to Hold Hair Spray; Super Valu Hard to Hold Hair Spray; & Skillern Regular & Hard to Hold Hair Spray—Recall #F-127-4—issued July 24.

Aerosol Hair Conditioner labeled in part: "Nidra Sheen . . . Hair Conditioner with Coconut Oil . . . Net Weight 6 oz . . ."—Recall #F-005-5—issued July 31.

Mail your request to Office of Public Affairs, Food & Drug Administration, Room 15-B-42, 5600 Fishers Lane, Rockville MD 20852.



## Where to cut the Federal budget?

This chart pictures 1 aspect of the Federal budget—the relationship between “controllable” & “uncontrollable” expenses in the budget for fiscal year 1975 (FY 1975). This relationship is compared to that between the 2 types of expenses in Federal budget for the past 8 years.

Uncontrollable expenses are those that cannot be cut because they have been fixed by law or were fixed during previous years by various Federal agencies. Uncontrollable items might be compared to the fixed expenses in a family's budget—for housing, food & loan repayments, for instance.

Controllable expenses, of course, are those that can be controlled—they are not fixed by law or by earlier budgets &, therefore, might be cut. These controllable items could be compared to the “discretionary” funds in a family's budget—the amount left to spend for entertainment, for example, after fixed expenses are paid.

The Federal budget for FY 1975 totals \$305 billion (August 1974 figures). As the chart shows, uncontrollable expenses take up most of that budget:

- About 47% (143 billion) is uncontrollable because it is committed to ongoing Federal programs, such as Social Security, veterans' benefits, welfare & retirement payments, Medicare & Medicaid. (These are called “entitlement programs”; payments go to individuals, & the payment levels are set by law. Changes would require new laws.)

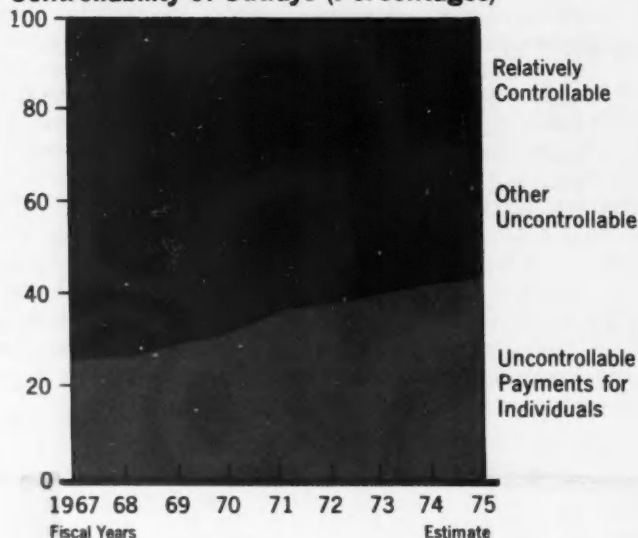
- About 27% (\$82 billion) is uncontrollable because it is committed to such obligations as contracts that have already been signed. (Renegotiating these would be even more expensive, or perhaps impossible.)

- About 19% (\$57 billion) is defense funding that is labeled discretionary because it is not yet fixed by contract. The Administration considers the defense budget largely uncontrollable.

- About 7% remains (\$35 billion minus \$12 billion in bookkeeping offsets, such as offshore oil-land receipts). But since some of this is earmarked for essential personnel expenses, only about \$15 billion—roughly 5% of the total Federal budget—can be considered truly controllable.

The first 2 uncontrollable items total 74% of the Federal budget (about \$225 billion) which either cannot be cut at all, or could be cut only by Congressional action.

## Controllability of Outlays (Percentages)



This 74% is a considerably larger chunk of the budget than the 59% that was uncontrollable in 1967 (see chart). The portion of the Federal budget that can be controlled has shrunk in recent years because of: (1) relative decline in controllable defense spending; (2) growth in mandatory grants to state & local governments; (3) growth in human resources programs (mostly benefits payments, set by law, to individuals & families).

In the FY 1975 budget, the Administration considers that there is some leeway for cutting in the \$15 billion “controllable” category that includes programs ranging from health research & training to atomic energy, child nutrition & education. A cut of about \$5 billion—to bring the FY 1975 budget below \$300 billion—has been proposed by President Ford as an anti-inflationary move. Since the entire \$5 billion cut could not come out of the \$15 billion controllable category, other areas of the budget would be examined for possible reduction.

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